

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-07 L-03 ACDA-05

NSAE-00 PA-01 PRS-01 SP-02 USIA-06 TRSE-00 SAJ-01

EB-07 SS-15 NSC-05 (ISO) W

----- 058647

R 251625Z JUN 75

FM USMISSION NATO

TO SECSTATE WASHDC 2433

SECDEF WASHDC

INFO JCS WASHDC

USCINCEUR VAIHINGEN FRG

AMEMBASSY BONN

AMEMBASSY PARIS

NSE/NSSG BRUSSELS

USNMR SHAPE

C O N F I D E N T I A L USNATO 3426

E.O. 11652: GDS

TAGS: NATO, XG, ETRN, MARR

SUBJ: CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC) MEETING,
19-20 JUNE 1975 AT VERSAILLES FRANCE

BEGIN SUMMARY: THE CEPPC APPROVED AMENDED FIRST SUPPLEMENTARY BUDGET 1975, NOTED CENTRAL EUROPE OPERATING AGENCY (CEOA) MID-YEAR FINANCIAL REVIEW AND APPROVED AGREEMENT ON THE ADMINISTRATION OF NATIONAL GERMAN STORAGE FACILITIES, AS WELL AS TWO NON-NATO MOVEMENTS CONTRACTS. PRINCIPAL INTEREST FOR U.S. WAS OUTSIDE MEETING BETWEEN U.S. AND FRENCH REPS ON SUBJECT OF CORRECTION OF ANOMALIES WHICH ADD TO DEFICIT OF CENTRAL EUROPE PIPELINE SYSTEM (CEPS). FRENCH REP HOPES TO BE ABLE TO MAKE START ON CORRECTION OF ANOMALIES DURING OCTOBER GUDGET REVIEW MEETING IN VERSAILLES. END SUMMARY:

1. ITEMS OF INTEREST AT 19-20 JUNE CEPPC MEETING IN VERSAILLES ARE REPORTED BELOW AND KEYED TO AGENDA.

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II. FIRST SUPPLEMENTARY BUDGET 1975. BUDGET, REQUESTING SOME 3.4 MILLION FRENCH FRANCS, WAS APPROVED AFTER MODIFICATIONS. PRINCIPAL ELIMINATION WAS 1.5 MILLION FFRS FOR REPLACEMENT OF "LEADY" VALVES IN BELGIUM. REASON FOR DEFERRAL WAS NEED FOR

OVERALL CEPS PROGRESS ON REPLACEMENT OF WORN AND OUT-DATED VALVES. CEOA PROMISED STUDY IN TIME FOR CONSIDERATION IN 1976 NORMAL BUDGET. ADDITIONAL DEFERRED ITEM WAS 15,000 FFRS FOR VERY MODERN VERSION OF TIME CLOCK PROPOSED BY GENERAL MANAGER (VERBOIS) FOR USE AT CEOA. AFTER SEVERAL DELEGATES REFUSED THE REQUEST ON BASIS OF HUMANITARIAN CONSIDERATIONS, GENERAL MANAGER INDICATED THAT REQUEST

STEMMED FROM STAFF ASSOCIATION'S DESIRE FOR FLEXIBLE HOURS IN VIEW OF REMOTE LOCATION OF CEOA HEADQUARTERS. HE STATED THAT STAFF ASSOCIATION WERE IN FULL SUPPORT OF INSTALLATION OF THE CLOCK. SOME CEPPC MEMBERS HAD BEEN CONTACTED BY CEOA STAFF WITH INDICATIONS THAT THE OPPOSITE WAS TRUE. VERBOIS ACCEPTED THE REFUSAL OF THE CLOCK WITH POOR GRACE, STATING THAT HE COULD, THEREFORE, NOT AGREE TO FLEXIBLE HOURS. MISSION COMMENT. WHAT WITH THIS ITEM AND THE FIRST MOVE TOWARD REORGANIZATION IN CEOA, STAFF MORALE APPEARS TO BE VERY LOW. END COMMENT.

III. MIDYEAR FINANCIAL REVIEW. DIRECTOR OF FINANCE MORRIS PRESENTED CURRENT ESTIMATES FOR POSSIBLE EXPENDITURES AND REVENUES THROUGH END 1975. THESE RANGED BETWEEN EXPENDITURES OF 159 MILLION FFRS AND REVENUES OF 108 MILLION FFRS FOR A DEFICIT OF 51 MILLION FFRS. ON THE BASIS OF THE LOWER RANGE OF CIVIL MOVEMENTS TO 162 MILLION FFRS EXPENDITURE WITH 115 MILLION FFRS REVENUE FOR A DEFICIT OF 47 MILLION FFRS AT THE HIGH RANGE OF SUCH MOVEMENTS. CEPPC NOTED WITH SATISFACTION THAT PRESENT FORECASTS OF DEFICIT HAVE NOT GROWN FROM THE EARLIER FORECASTS. MORRIS CONFIRMED THAT THESE FIGURES ARE BASED ON CURRENT EXCHANGE RATES WITH THE STRONGER FRENCH FRANC. THEY ARE ALSO BASED ON CURRENT TARIFFS WITHOUT THE INCREASE FROM 3 TO 3.5 UNITS FOR STORAGE.

IV. FINANCING OF O&M COSTS OF FOUR PROJECTS IN INFRASTRUCTURE SLICE XXVI. BELGIAN REP CONFIRMED AGREEMENT TO SERIALS 235, 236C AND 236 E FOR INCLUSION IN INFRASTRUCTURE SLICE XXVI. HE REMAINED DOUBTFUL CONCERNING SERIAL 236B, PIPELINE CONNECTION BETWEEN WESTERBURG DEPOT AND GINSHEIM, PREFERRING A CONNECTION WHICH WOULD CROSS THE RHINE. HE AGREED, HOWEVER, TO INCLUSION OF PLANNING FUNDS IN SLICE XXVI SUBJECT TO BELGIAN CONFIRMATION. CONFIDENTIAL

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MATION.

VI. AGREEMENT ON THE ADMINISTRATION OF NATIONAL GERMAN STORAGE FACILITIES IN CEPS DEPOTS. CEPPC AGREED, SUBJECT TO MINOR MODIFICATION, TO THE CONTRACT BETWEEN CEOA AND MOD GERMANY GOVERNING THE ADMINISTRATION OF OLDENBURG AND BRAMSCHE DEPOTS. THIS CONTRACT FORMALIZES PRESENT ORAL AGREEMENT UNDER WHICH CEOA HAS BEEN OPERATING DEPOTS SINCE 1968, AND PROVIDES FOR GERMAN PAYMENTS FOR THOSE SERVICES RETROACTIVELY.

VII AND VIII. NON-NATO MOVEMENTS PERNIS-SCHIPHOL AND OLDENBURG-HESEPE. CEPPC AGREED TO MODIFICATION IN EXISTING CONTRACTS FOR THESE MOVEMENTS.

2. PRIOR TO MEETING, FRENCH REP (GENTILHOMME) HAD CONTACTED US REP (LOVELAND) WITH REQUEST FOR SEPARATE MEETING CONCERNING PERSONNEL, TAXATION, AND TRAPIL FEES WHICH HAVE BEEN UNDER DISCUSSION FOR SEVERAL YEARS. OBJECT OF MEETING WAS TO RECEIVE OFFER BY FRANCE OF SOME PROGRESS TOWARD MEETING U.S. OBJECTIONS BEFORE END 1975. GENTILHOMME HOPED TO BE ABLE IN OCTOBER TO ANNOUNCE FRENCH FINANCE MINISTRY DECISION TO EXEMPT CIVIL MOVEMENTS IN FRANCE FROM TVA EXACTIONS. HE DID NOT BELIEVE SIMILAR ACTION POSSIBLE FOR MILITARY MOVEMENTS. US REP EXPLAINED THAT U.S. WOULD BE EXTREMELY HAPPY TO RESOLVE SOME OF THESE OUTSTANDING QUESTIONS BUT HE DID NOT BELIEVE WE SHOULD BE SATISFIED WITH CRUMBS. HE THOUGHT THAT THE TVA CHARGE WAS A SUFFICIENT ANOMALY TO BE ATTACKED FOR BOTH CIVIL AND MILITARY MOVEMENTS AND THAT SOME PROGRESS SHOULD BE MADE IN THE QUESTION OF TRAPIL FEES. HE STATED DISSATISFACTION AT FRENCH MOVEMENTS TO REDUCE GUARDING IN DEPOTS TO ONE MAN, BUT NOTED THAT WITH RISING SALARIES COSTS CONTINUED TO MOUNT. HE UNDERSTOOD THAT NEGOTIATIONS WITH THE FRENCH FINANCE MINISTRY CONCERNING THE 10PERCENT LEVY ON CIVIL REVENUES (THE SO-CALLED PROFITS TAX) MIGHT REQUIRE MORE TIME. HE BELIEVED, HOWEVER, THAT A START SHOULD BE MADE, IN WHICH CASE U.S. AUTHORITIES COULD BE EXPECTED TO CONTINUE THE NEGOTIATIONS WITH A CERTAIN AMOUNT OF PATIENCE. FRENCH REP SUMMARIZED THE DIFFERENCE BETWEEN US AND FRENCH POSITIONS AND ASKED FOR ANEW PRIVATE MEETING AT THE TIME OF THE JULY CEPPC MEETING (17-18 JULY) TO ATTEMPT TO BRING THEM CLOSER TOGETHER.

3. IN A NON-RELATED MATTER, FRENCH REP INDICATED FRENCH
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DISSATISFACTION WITH GENERAL MANAGER'S REORGANIZATION.
HE WAS IN SYMPATHY WITH THE ATTEMPT TO REDUCE CEOA COSTS,
BUT CONSIDERED THAT VERBOIS' METHODS INDICATED A LACK OF RESPECT
FOR THE CONTROL THE CEPPC IS SUPPOSED TO EXERCISE ON FINANCIAL
AND PERSONNEL MATTERS. BRUCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 18 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 25 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NATO003426
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750698/abbrzksb.tel
Line Count: 148
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ElyME>; APPROVED <25 SEP 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL EUROPE PIPELINE POLICY COMMITTEE (CEPPC) MEETING, 19-20 JUNE 1975 AT VERSAILLES FRANCE
TAGS: NATO, XG, ETRN, MARR
To: STATE
SECDEF INFO JCS
USCINCEUR VAIHINGEN FRG
BONN
PARIS
NSE NSSG BRUSSELS

USNMR SHAPE

Type: TE

Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006